

NOTICE OF INTENT

Louisiana Lottery Corporation

On-Line Lottery Games (LAC 42:XV. Chapter 1)

The Louisiana Lottery Corporation in compliance with, and under authority of R.S. 49:950 et seq., and R.S. 47:9001 et seq., hereby gives notice of its intent to amend the rules and regulations pertaining to the operations of on-line lottery games in particular LAC 42:XV.141 to allow the Louisiana Lottery Corporation to offer the multi-state Lottery game "Daily Millions".

Title 42

LOUISIANA GAMING

Part XV. Lottery

Chapter 1. On Line Lottery Games

§101. Policy Statement

The Louisiana Lottery Corporation (the "corporation") is authorized by Louisiana Revised Statutes 47:9008(A) to adopt such rules and regulations as may be necessary to conduct specific lottery games and operations of the corporation. Pursuant to that grant of authority, the board of directors of the corporation (the "board") has adopted these on-line lottery games general rules, which are intended to provide general guidelines concerning the conduct and administration of on-line lottery games.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§103. Definitions

As used in the Game Rules, Game Directives and Drawing Directives, the following words and phrases shall have the following meanings unless the context clearly requires otherwise:

Board—the Board of Directors of the Louisiana Lottery Corporation.

Claim Center—a regional office or claims office of the corporation at which winners may redeem prizes.

Claim Deadline—the day after which prizes from a particular game or on-line drawing are no longer eligible to be redeemed or claimed.

Claim Form—the form provided by the corporation to be completed by prize winners when claiming a prize.

Corporation—the Louisiana Lottery Corporation.

Drawing Directive—the detailed drawing instructions followed by the corporation for each drawing event.

Free Ticket—a lottery prize for which the winner is entitled to another ticket for the same game, without charge.

Game Directive—the game-specific guidelines that itemize the particular requirements of each game.

Game Rules—these general rules regarding all on-line lottery games, prize payments, and other game parameters.

Invalid Ticket—any ticket that fails to meet all of the validation requirements of the corporation.

Lottery—any game of chance approved by the corporation and operated pursuant to the Louisiana Lottery Corporation Law.

Lotto—a lottery game that offers a player a choice of five, six or seven numbers out of a specified field of numbers, the winner being determined by a drawing.

Numbers Game—a lottery game permitting the player to choose a three-digit or four-digit number, the winner being determined by a drawing.

On-Line Lottery Game—a game, authorized in §105, which is played using ticket-generating terminals linked to a central computer, with winners being determined by a drawing.

On-Line Game Ticket—an official ticket issued by the corporation in connection with any on-line lottery game, produced on official paper stock by an On-Line Retailer in an authorized manner, bearing

player or computer selected numbers, figures and/or characters representing the type of wager, drawing date, amount of wager, and validation data.

On-Line Retailer—any person with whom the corporation has contracted to sell On-Line Game Tickets to the public.

President—the president of the Louisiana Lottery Corporation.

Quick-Pick—a player option by which on-line game number selections are determined at random by computer software.

Valid Ticket—a ticket that meets the validation requirements of the corporation.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, amended October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, amended October 21, 1994 and promulgated in *The Advocate*, October 28, 1994, repromulgated LR 22:

§105. General Provisions

A. These game rules authorize the corporation to offer the following on-line lottery games:

1. Pick 3 Daily Game. An on-line numbers game permitting a player to choose a three-digit number, the winner being determined by a drawing.

2. Lotto. An on-line lotto game permitting a player a choice of six numbers out of a specified field of numbers, the winner being determined by a drawing.

3. Easy 5. An on-line lotto game permitting a player a choice of five numbers out of a specified field of numbers, the winner being determined by a drawing.

B. Introduction of a new on-line lottery game may only be accomplished by amendment of these game rules to include the game as an authorized game. These game rules shall apply to the on-line lottery games listed in this Section. The detailed information regarding each on-line game will be contained in a game directive promulgated by the president. The game directive must be signed by the president prior to the start of the game. Each game directive will be distributed and posted at every corporation office and will be available for public inspection during the sales period of the particular game.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, amended October 21, 1994 and promulgated in *The Advocate*, October 28, 1994, repromulgated LR 22:

§107. Probability of Winning

The overall probability of winning any prize in a particular game (expressed as "odds" of winning as that term is commonly used in the lottery industry) will be contained in the game directive for that game and shall be included in the promotional materials for the game. The statement of "odds" does not need to specify the "odds" of winning each particular prize. The corporation shall make every attempt to release accurate "odds" information in press releases for each on-line lottery game.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, repromulgated LR 22:

§109. Compliance with Law/Rules

In submitting an official on-line game ticket for validation, the player agrees to abide by applicable laws, all corporation rules, regulations, policies, directives, instructions, conditions, and final decisions of the president of the corporation.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, repromulgated LR 22:

§111. Names of Winners

The corporation shall have the right to use the names and the city or area of residence of all prize winners in on-line lottery games. The information may be used by the corporation for advertising and publicity purposes. The corporation will not make public the addresses or phone numbers of on-line lottery winners. Such information will be provided to authorized governmental agencies, as required by law or as deemed appropriate. Winners who grant the corporation permission to be photographed agree to allow the use of such photographs for publicity and advertising purposes without any additional compensation.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§113. Age Eligibility

No person under 18 years of age may purchase an on-line game ticket, but persons under 18 years of age may receive an on-line game ticket as a gift.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§115. Retailer Eligibility

Retailers authorized by the corporation to sell tickets may purchase tickets and may claim prizes resulting from any tickets so purchased.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§117. End of Game

Each on-line lottery game will continue until such ending date as may be announced by the president. The president may suspend or terminate a game without notice if such action is deemed to be in the best interest of the corporation. No tickets for a particular game may be sold for a game after the suspension or termination of the game.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§119. Winner Validation

A. Except as provided in specific game directives, the following requirements will apply to the validation of winning on-line game tickets:

1. The validation data, number selections, and drawing date(s) printed on the ticket must be present in their entirety and must correspond with the data reflected in the corporation's computer records relating to the production of the ticket.
2. The on-line ticket must be intact and not defaced in any manner.
3. The ticket must not be mutilated, altered, reconstituted, or tampered with in any manner.
4. The ticket must not be counterfeit in whole or in part, nor an exact duplicate of another winning ticket.
5. The ticket must have been issued by an authorized on-line retailer in the authorized manner on official paper stock.
6. The ticket must not be stolen or canceled.
7. The ticket must have exactly the specified number of computer selected numbers, figures and/or characters, and validation data as provided for in the game directives for the game.
8. The ticket must not be partially blank, misregistered, defectively printed, or produced in error to the extent that it cannot be validated by the corporation.
9. The ticket must be submitted for redemption within the claim period provided for in the game.
10. The ticket must be submitted for payment in accordance with the provisions set forth in each game directive.
11. The player or computer number selections, validation data and drawing date(s) of an apparent winning ticket must appear on the official transaction record of the corporation, and a ticket with that exact data must not have been previously paid.
12. The ticket must pass all other confidential security checks of the corporation.
13. In submitting an official on-line game ticket for validation, the player agrees to abide by applicable laws, all corporation rules, regulations, policies, directives, instructions, conditions, and final decisions of the president of the corporation.

B. Except as provided above, any on-line game ticket that fails to pass any of the validation requirements is void and ineligible for any prize, and no prize shall be paid. Liability for defective tickets is limited to the original purchase price of the ticket.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, repromulgated LR 22:

§121. Prize Payment

On-line lottery game prizes will be paid in accordance with game directives and retailer regulations.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§122. Delay of Payment

A. The corporation shall pay prizes in a timely fashion but may delay making payment of any prize or installment of a prize under the following circumstances:

1. A dispute occurs or it appears that a dispute may occur relative to any prize.
2. There is any question regarding the identity of the claimant.
3. There is any question regarding the validity of the ticket.
4. The claim is subject to any court ordered garnishment.
5. The corporation becomes aware of a change in circumstances relative to a prize award

which requires review.

B. The corporation assumes no liability for interest for any delay of payment of a prize or installment.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§123. Claim Form

A. For any prize of more than \$600, the owner of the apparent winning ticket shall complete an official claim form that requires the winner to provide:

1. the name of the individual or entity claiming the prize;
2. the address and city of residence of the claimant;
3. the social security number of the individual claimant or the federal employer's

identification number issued by the IRS for multiple claimants.

B. No prize payment will be authorized if the required information is not provided by the claimant. The name of the owner printed on the back of the ticket must correspond with the name of the claimant.

C. A group, family unit, club or other organization which plays as a partnership which is not a legal entity and which does not possess a federal employer's identification number may claim a lump sum prize if it:

1. files an Internal Revenue Service form 5754, "Statement by Person(s) Receiving Gambling Winnings", or a successor form, with the corporation, designating to whom the prize is to be paid and the person or persons to whom the prize is taxable; or
2. designates one individual in whose name the claim shall be entered and furnishes that person's social security number and other required information.

D. Formal recognition of partnership play will be required with respect to lotto grand prizes paid on an installment basis. Formal recognition shall include, but shall not be limited to, production of a partnership agreement or memorandum thereof, listing the names of all partners. The corporation must also be furnished a Federal Employer's Identification Number for the partnership entity. Each such recognized partnership shall receive a single annual installment payment payable to the partnership.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§125. Assignability

The right of any person to a prize after the prize is claimed shall not be assignable. The corporation may pay any prize to the estate of a deceased winner. Any prize to which a winner is entitled may be paid to any person pursuant to an appropriate judicial order.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§127. Installment Prizes

The corporation may provide for the payment of any prize of more than \$100,000 in equal annual

installments. The schedule of payments shall be designed to pay the winner equal dollar amounts each year until the total payments equal the prize amount. When the prize amount is paid in installments, the president may round the actual amount of the prize to the nearest \$1,000 amount to facilitate the appropriate funding mechanism. The period of payment of any installment payment schedule shall not exceed 20 years. The corporation shall not accelerate the payment schedule of any installment prize for any reason except pursuant to an appropriate judicial order.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§129. Merchandise Prizes

If a noncash prize is offered, the value of the prize will be determined by the fair market value of any such prize, which will be the amount reported to the state and the IRS for tax purposes. If the value of the prize is \$5,000 or more, the corporation will pay withholding taxes on behalf of the winner in accordance with federal and state rules. The corporation will not be responsible for any other fees associated with the prize.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, amended October 21, 1994 and promulgated in *The Advocate*, October 28, 1994, repromulgated LR 22:

§131. Drawings

The corporation shall follow drawing directives that detail the procedures for conducting each on-line game drawing, the drawing method, and the equipment to be utilized. The corporation shall exercise care to insure a totally random drawing process that results in the selection of prize winners in a method that favors none of the participants.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§133. Independent Auditor

All drawing events shall be witnessed by an independent auditing firm. The independent auditor shall attest to the fact that the procedures for the drawing were properly disseminated and that the procedures were followed, and shall make note of any exceptions to the procedures.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, February 18, 1992 and promulgated in *The Advocate*, February 28, 1992, repromulgated LR 22:

§135. Bulk Purchase

"*Bulk Purchase*" is the purchase of on-line game tickets for the purpose of accomplishing a buyout of a lotto jackpot or grand prize pool. The bulk purchase of on-line game tickets by an investment syndicate, investment group, corporation or any person for investment purposes is expressly prohibited.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, amended October 21, 1994 and promulgated *The Advocate*, October 28, 1994, repromulgated LR 22:

§137. Bulk Sale

"*Bulk Sale*" is the sale of on-line game tickets by a licensed on-line retailer for the purpose of assisting the purchaser in accomplishing a buyout of a lotto jackpot or grand prize pool. The bulk sale of on-line game tickets by a licensed on-line retailer is expressly prohibited.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 22, 1992 and promulgated in *The Advocate*, November 3, 1992, amended October 21, 1994 and promulgated in *The Advocate*, October 28, 1994, repromulgated LR 22:

§139. Enforcement

The game directive shall include provisions to enforce the prohibitions contained in Sections 135 and 137.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation on October 22, 1992 and

promulgated in *The Advocate*, November 3, 1992, amended October 21, 1994, and promulgated in *The Advocate*, October 28, 1994, repromulgated LR 22:

§141. Multi-State Lottery

This Section authorizes the Louisiana Lottery Corporation, through an agreement with the Multi-State Lottery Association (MUSL), to offer the following games: "PowerBall"- and "Daily Millions". Introduction of any new game conducted by MUSL may only be accomplished by amendment of this Section to include the game as an authorized game. The detailed information regarding the rules of the PowerBall game and the Daily Millions game will be contained in a game directive promulgated by the president. The game directive must be signed by the president prior to the start of the game. The game directive will be distributed and posted at every corporation office and will be available for public inspection during the sales period of PowerBall and Daily Millions.

AUTHORITY NOTE: Promulgated in accordance with R.S.47:9001 et seq.

HISTORICAL NOTE: Adopted by the Louisiana Lottery Corporation, October 21, 1994 and promulgated in *The Advocate*, October 28, 1994, amended LR 22:

A public hearing will be held on Friday, September 27, 1996, at 10 a.m., at the offices of the Louisiana Lottery Corporation, 11200 Industriplex Boulevard, Suite 190, Baton Rouge, LA. Interested persons are invited to attend and submit oral comments on the proposed amendments.

All interested persons are invited to submit written comments on the proposed regulations. Such comments should be submitted no later than Monday, September 23, 1996, at 4 p.m., to John Carruth, Louisiana Lottery Corporation, Box 90008, Baton Rouge, LA, 70898.

Bonnie Fussell
President

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES
RULE TITLE: On-Line Lottery Games**

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The Louisiana Lottery Corporation was created by Louisiana R.S. 47:9000 et seq. and exists as a quasi-public corporation. All costs of the corporation are funded by revenue generated by the corporation. The general and administrative costs of the corporation associated with the new game are projected to be \$63,233 for the fiscal year ending June 30, 1997 and \$217,736 for the fiscal year ending June 30, 1998. The costs of on-line vendor commissions and on-line communication are estimated to be from \$27,000 to \$359,000 for fiscal year ending June 30, 1997 and from \$422,000 to \$1,800,000 for the fiscal year ending June 30, 1998.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

As required by Louisiana R.S. 47:9029, the Louisiana Lottery Corporation transfers not less than 35 percent of gross revenues to the lottery proceeds fund in the state treasury. As a result of the introduction of the new game, the projected additional revenue to the lottery proceeds fund is estimated to be from \$189,000 to \$2,500,000 for the fiscal year ending June 30, 1997 and from \$3,000,000 to \$12,600,000 for the fiscal year ending June 30, 1998. Please note that the additional revenue is estimated only for 3 1/2 months for the fiscal year ending June 30, 1997 since the projected start date is March 16, 1997.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS (Summary)

Retailers earn five percent commission on the sale of lottery products. Based on sales estimates, retailers are projected to earn \$27,000 to \$359,000 for the fiscal year ending June 30, 1997 and \$422,000 to \$1,800,000 for the fiscal year ending June 30, 1998. Likewise, lottery players win prizes totaling approximately 50 percent of total sales. Using conservative sales projections, prize payouts to players are expected to be \$270,000 to \$3,600,000 more in the fiscal year ending June 30, 1997 and \$4,200,000 to \$18,000,000 more in fiscal year ending June 30, 1998.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The additional revenue from the new game will be generated from consumers' discretionary income. The specific effects on competition and employment cannot be determined.

Bonnie Fussell
England
President

Richard W.

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Assistant to the
Legislative Fiscal Officer